

California Department of Corrections

Financial Information Memo

SUBJECT:	FIM NUMBER:
INMATE WELFARE FUND – ACCOUNTING AND CONTROL OF EQUIPMENT	2003-04
REFERENCES:	DATE: JUNE 23, 2003
California State Administrative Manual, Sections 8600, 8650, 8651, and 8652 Department Operations Manual, Section 22030.12 Department of Corrections, Inmate Welfare Fund Procedures Manual, Section 202A	

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Institutions Division
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Institution Procurement Officers
Institution Property Controllers
Inmate Welfare Fund/Trust Accounting Section

PURPOSE

This Financial Information Memo (FIM) provides institution management and Property Controllers a restatement of the basis, requirements and policy for the accounting and control of Inmate Welfare Fund (IWF) equipment.

BACKGROUND

The California State Administrative Manual (SAM), Section 8600 states that property accounting procedures are designed to maintain uniform accountability for property. These procedures are used to provide accurate records for the acquisition, maintenance, control, and disposition of property. The combination of accurate accounting records and strong internal controls must be in place to protect against and detect the unauthorized use of property. The Department Operations Manual (DOM), Section 22030.12, Property Management, states that the department will maintain property inventory records on all items meeting the criteria for property accounting. This includes maintaining an accurate record of property held accountable to the department or unit. The Department of Corrections, IWF Procedures Manual, Section 202A states that IWF equipment shall be accounted for in accordance with the SAM provisions. A review of the past and latest Department of Finance (DOF) audit reports for the IWF shows that the accountability over IWF property continues to be a repetitive audit finding for the Department.

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DISCUSSION

The IWF was established as a fiduciary trust fund to be administered by the Director, as trustee, for the benefit of the inmates. As with all State property, moneys, equipment and items held and purchased by the IWF must be managed in accordance with SAM. However, as a trust fund, deviations from and omissions of SAM and trust accounting requirements places the Department in a vulnerable position in carrying out its fiduciary responsibilities. The audit findings cite a lack of management control of equipment, in that acquisitions/discarded items are not accounted for, and internal controls. The audit findings include the situations where faulty canteen equipment is replaced by the service and repair contractor, and the equipment data for the old/new items is not communicated to, or changed by, the Property Controller. The significant audit finding of internal control is the result of the Property Controller performing all of the equipment control duties: Tagging incoming equipment, the input of fixed asset transactions, maintaining the Property Ledger, and reconciling physical inventory counts to the Property Ledger.

Thus, an audit recommendation is for the communication of equipment acquisitions/replacements to the Property Controller, and timely reconciliation of physical inventories for the updating of the Property Ledger. A key element in the system of internal control is separation of duties. Accordingly, the audit reports also recommend that management needs to assign an employee who does not maintain the Property Ledger to perform the physical inventory counts and reconcile the counts to the Property Ledger. Therefore, it is essential that appropriate procedures be implemented to accurately manage and account for IWF equipment in accordance with the aforementioned requirements and audit recommendations.

ACTION REQUIRED

Effective immediately, all institution and central office staffs are to review, and revise as necessary, their property management and accounting procedures to ensure that IWF equipment is controlled and accounted for in accordance with SAM and departmental policies.

If you have any questions regarding this FIM, please contact Richard Flores, Chief, Inmate Welfare Fund/Trust Accounting Section, at (916) 358-2211.

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ORIGINAL SIGNED BY
WENDY STILL

WENDY STILL
Deputy Director
Financial Services Division

cc: William B. Dougherty, Accounting Management Branch
Richard Flores, Inmate Welfare Fund/Trust Accounting Section
Phyllis Burch, Inmate Services
Institution Business Managers
Accounting Policies and Procedures Section